ACKTION CORPORATION ANNUAL REPORT 2001

ACKTION
CORPORATION

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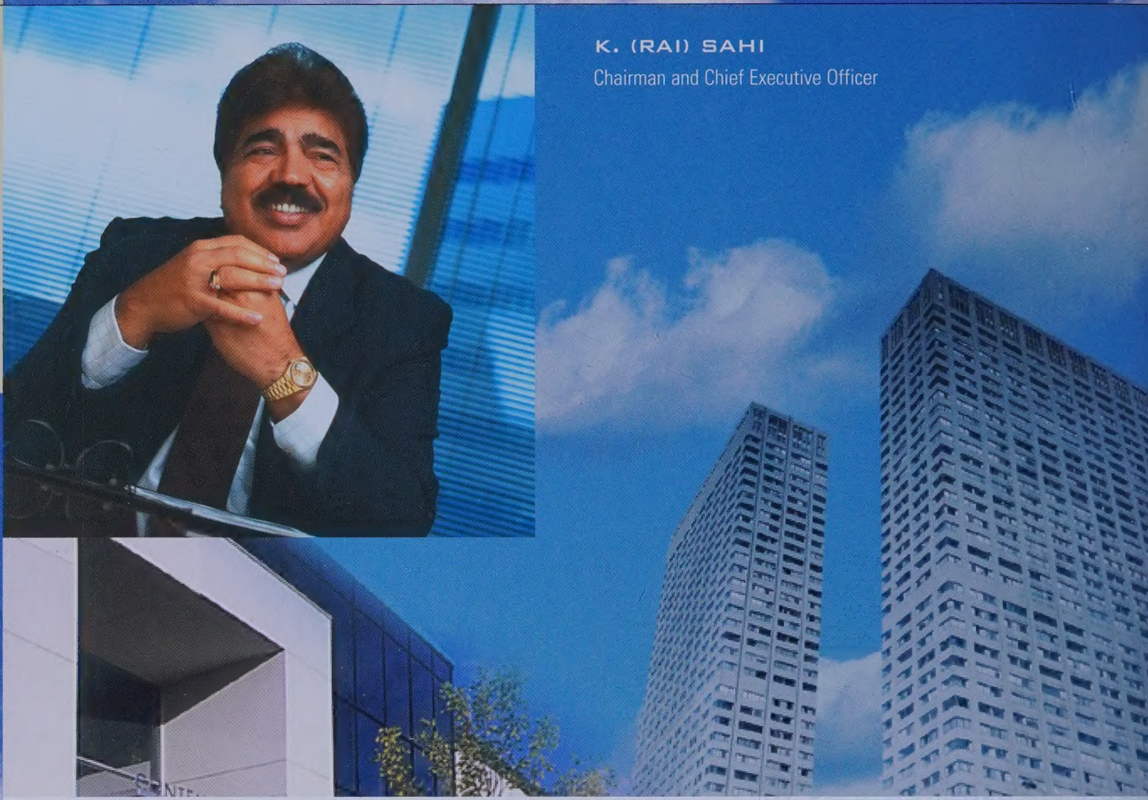
The Annual General Meeting
of the Shareholders of Acktion Corporation
will be held on Thursday, June 13, 2002 at 11:00 a.m.
TSE Conference Centre, The Exchange Tower
130 King Street West, Toronto, Ontario

(in thousands of dollars except for share amounts and common shares outstanding)

	Year ended December 31, 2001 $	Year ended December 31, 2000 $	Year ended December 31, 1999 $	13 months ended December 31, 1998 $	Year ended November 30, 1997 $
Revenue	**321,046**	260,387	100,937	56,276	240,696
Amortization	**13,985**	16,902	10,374	9,183	4,587
Interest on long-term debt	**53,825**	45,431	14,793	7,107	3,003
Earnings from continuing operations before income taxes and minority interest	**75,626**	73,724	24,422	19,944	222,463
Net earnings for the period	**36,332**	39,444	22,875	18,229	138,618
Funds from continuing operations	**113,239**	59,621	21,337	38,453	(58,812)
Real estate assets	**1,478,698**	1,415,478	1,148,585	364,542	23,462
Long-term debt	**816,340**	757,957	635,891	210,406	368
Shareholders' equity	**424,120**	405,427	385,648	366,795	345,477
Total assets	**1,756,520**	1,650,931	1,484,953	793,392	466,010
Net earnings per common share					
Basic	[1] **2.39**	[1] 2.53	1.41	1.13	8.34
Diluted	[1] **2.35**	[1] 2.53	1.31	1.06	7.90
Equity per common share	**28.56**	26.38	23.95	22.55	21.16
Common shares outstanding	**14,850,780**	15,366,768	16,103,768	16,264,068	16,323,183

[1] Calculated using the treasury method.



K. (RAI) SAHI
Chairman and Chief Executive Officer

CHAIRMAN'S REPORT TO SHAREHOLDERS

In early 1997, we began to implement a strategy to commit a significant portion of your Company's resources to the ownership of income producing real estate.

At that time, the real estate industry was just beginning to show signs of recovery after an extended period of reduced profitability and declining property values. Management believed that investments made in the real estate sector at this point in the economic cycle would produce above average returns over time.

While Acktion had the necessary financial resources to acquire a significant portfolio in 1997, we lacked the organizational structure necessary to implement the plan and to operate any properties acquired. It also recognized that it was operating in a highly competitive environment for acquiring individual assets and that acquiring a large portfolio of quality income properties was going to be a long and difficult process.

Recognizing these conditions and limitations, we developed a unique strategy in order to implement our plan to invest in the real estate sector.

Instead of acquiring individual assets, we chose to commit our resources through a series of acquisitions of interests in corporations which owned quality income producing assets, and which already had organizations in place capable of managing and operating these assets. Acktion's plan is, in appropriate circumstances, to gradually increase its ownership interest in these corporations over time and, if appropriate, combine them into one efficient, integrated real estate organization.

In April 1997, Acktion acquired a 40% equity interest in Goldlist Properties Inc., a medium-sized, public real estate company which owned and managed a substantial portfolio of multi residential properties. Later in the year, Acktion acquired a minority interest in Morguard REIT and Revenue Properties Company Limited, both of which owned diversified portfolios of commercial income properties. In 1998, Acktion acquired Morguard Investments Limited, one of Canada's largest real estate investment advisory firms.

Over the past three years, Acktion has been actively involved in increasing the asset base of these operating companies and the group now owns and/or manages a real estate portfolio valued at approximately $4.5 billion. During the same period, Acktion has consistently been increasing its overall ownership interest in the group, and today, owns 100% of both Morguard Investments Limited and Goldlist Properties Inc., 50.24% of Morguard REIT and 40.7% of Revenue Properties Company Limited.

As to financial performance, your Company recorded consolidated cash flows from operations of $50.5 million or $3.40 per share (after adjusting for minority interest and the special dividend of $39 million received from Revenue Properties) compared to $37.8 million or $2.46 per share in 2000.

Consolidated revenue for the year was $321 million, up 23% from the previous year. Consolidated net earnings from continuing operations were $36.3 million or $2.35 per share (diluted) in 2001 compared to $31.7 million or $2.03 per share (diluted) for the prior year, an increase of 16%.

Our consolidated total assets are now $1.8 billion, up 6% from the prior year. Presently, real estate operations represent 96% of total assets and include the consolidation of Goldlist and Morguard REIT.

Mortgages on real estate assets at year end totalled $816.3 million with a weighted average rate of interest of 6.78% compared to $758.0 million in mortgages with a weighted average rate of interest of 6.92% in the previous year. The debt/equity ratio as at December 31, 2001 was 2.22:1, largely unchanged from the previous year. Exposure to variable interest rates is low as Goldlist has limited debt maturing during the next two years. The debt maturities of Morguard REIT are staggered so that only 16% of the outstanding debt is due through 2002.

At December 31, 2001, consolidated shareholders' equity totalled $424.1 million or $28.56 per common share compared to $405.4 million or $26.38 per common share in 2000.

Since our share price continues to trade at a substantial discount to net asset value, we renewed our share buy back program on The Toronto Stock Exchange in September for a further twelve months. We feel that since the market has undervalued our shares, a buy back program represents an excellent use of corporate resources. As at year end we acquired and cancelled 747,700 common shares for $12.4 million at an average price of $16.52 per share.

Your Company's financial performance over the past year validates our strategy. Our high quality portfolio of assets will continue to generate meaningful cash flows during the years ahead. This unique combination of assets, together with our strong balance sheet, will enable us to withstand any economic slowdown and capitalize on expansion opportunities. Given the fact that real estate fundamentals continue to remain strong coupled with the market's appetite for stable, above average yields, it is only a matter of time that this convergence will be reflected in our share price.

At our Annual Meeting you will be asked to vote on a proposal to change your Company's name to Morguard Corporation, subject to regulatory approval. We feel that this name leverages the excellent reputation that Morguard has engendered in Canadian real estate for over 31 years.

I would like to thank our employees and those at Goldlist, Morguard REIT, and Morguard Investments Limited for their dedication during the past year, our directors for their wise counsel, and our shareholders for their continued support.

K. (RAI) SAHI

Chairman and Chief Executive Officer

CORPORATE PROFILE

Bramalea City Centre Brampton, Ontario

The Allegro Toronto, Ontario

Bramalea City Centre Brampton, Ontario

Prairie Mall Grande Prairie, Alberta

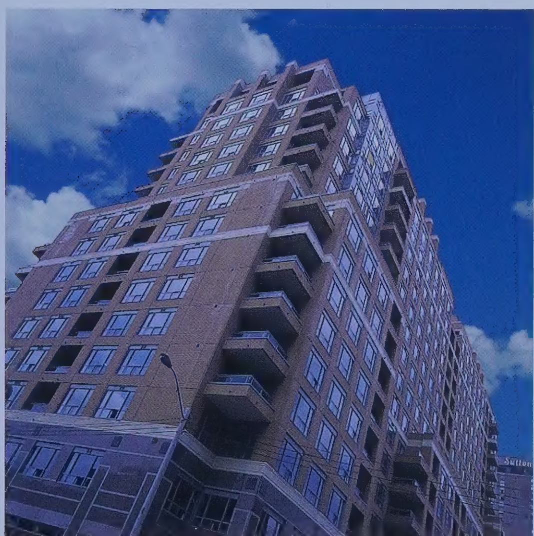
ACKTION CORPORATION

("Acktion" or the "Company") is a Canadian public real estate company whose principal activities include property ownership, development and property management services. Property ownership encompasses interests in both commercial and residential real estate. Through its subsidiary, Morguard Real Estate Investment Trust (the "REIT"), it holds a diverse portfolio of commercial real estate which includes retail, office and industrial properties across seven Canadian provinces. Its residential real estate holdings are held through another subsidiary, Goldlist Properties Inc. ("Goldlist"), which provides rental services, and constructs and sells residential condominiums. Another subsidiary, Morguard Investments Limited ("MIL"), is a fully integrated real estate investment advisory and management corporation. The Company also has a significant interest in Revenue Properties Company Limited ("Revenue Properties"), a publicly traded Canadian company.

The Centre at Circle and Eighth
Saskatoon, Saskatchewan

MORGUARD REAL ESTATE INVESTMENT TRUST

Acktion owns approximately 50.24% of the outstanding units of the REIT. The REIT is an unincorporated closed-end real estate investment trust whose units trade on the Toronto Stock Exchange. It holds a real estate portfolio consisting of 64 office, industrial and retail properties located in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Nova Scotia, containing an aggregate of 9.2 million square feet of leasable area. The portfolio consists of 22% of office properties (2.0 million square feet), 25% of industrial properties (2.3 million square feet), and 53% of retail properties (4.9 million square feet). For the fiscal year ending December 31, 2001, the REIT's assets were $1 billion and recurring distributable income was $42 million.



The Allegro
Toronto, Ontario

GOLDLIST PROPERTIES INC.

Acktion owns 100% of the issued and outstanding common shares of Goldlist as of February, 2002[1]. Goldlist's primary assets are a portfolio of 18 multi-unit residential buildings containing approximately 5,777 suites and located predominantly in the Greater Toronto Area. Goldlist also has interests in residential development projects, including Opera Place, a prestigious one million square foot residential condominium property under construction in downtown Toronto. Its asset base of $380,000 million generated cash flow from operations for the year ended December 31, 2001 of $19.1 million.

[1] At December 31, 2001, Acktion owned 68.32%.

9 Van Der Graaf Court
Brampton, Ontario

MORGUARD INVESTMENTS LIMITED

MIL, one of Canada's premier providers of real estate management services to institutional investors, was acquired by Acktion in September, 1998. MIL is a fully integrated real estate investment advisory and management corporation that offers its services to two major clients: Pensionfund Realty Limited (a privately held real estate company owned by 26 of Canada's largest pension funds, and Morguard REIT). Through a network of nine regional offices located across Canada, MIL provides portfolio, asset management and property management services for over $3.6 billion in office, industrial and retail properties.

Riverside Residences
Toronto, Ontario

REVENUE PROPERTIES COMPANY LIMITED

Acktion owns 40.7% of the outstanding common shares. Revenue Properties has been involved in the ownership, management and development of real estate for over 30 years. It operates in various segments of the real estate industry, primarily those relating to shopping centres and residential income properties. Its most significant properties are located in Ontario. Revenue Properties' net interest in income producing investments includes 1.4 million square feet of shopping centre space and 2,101 residential units. Its common shares trade on the Toronto Stock Exchange. For the year ended December 31, 2001, Revenue Properties' consolidated assets had decreased to $527 million due to the sale of part of its interest in Pan Pacific Retail Properties, Inc., and operating cash flow totalled $29.7 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATIONS

Overview

Acktion Corporation's ("Acktion" or the "Company") management's discussion and analysis of financial condition and the consolidated results of operations of the Company should be read in conjunction with its audited consolidated financial statements and notes thereto for the years ended December 31, 2001 and 2000.

Acktion's financial results consolidate the operations of Goldlist Properties Inc. ("Goldlist"), Morguard Real Estate Investment Trust ("Morguard REIT") and Morguard Investments Limited ("MIL"). The Company's investments in MFP Financial Services Ltd. ("MFP") and in Revenue Properties Company Limited ("Revenue Properties") are accounted for on an equity basis. Revenue Properties was accounted for on a cost basis in 2000.

The Business

In 1997, a strategic decision was made by Acktion's management and the board of directors to invest in Canadian real estate. The view of management was that real estate was in the early stages of its economic recovery and over time, would result in above average returns to our shareholders.

Today, Acktion is a real estate company which owns a diversified portfolio located across Canada. As at December 31, 2001, Acktion has ownership or influence over commercial and residential real estate with a total value that exceeds $4.5 billion. Its commercial real estate portfolio totals approximately 11.4 million square feet and is located in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Nova Scotia. Acktion's residential portfolio is located in Ontario and Nova Scotia and totals 5,777 suites.

The Company also provides asset and property management services to Canadian institutional investors and private individuals. These services include acquisitions, developments, dispositions, leasing, performance measurement and property management. The Company manages a commercial portfolio of 36.7 million square feet, including Morguard REIT. In addition, Acktion manages 3,703 apartment suites for third parties.

Strategy

Acktion's strategy is to focus on its core real estate business and to capitalize on investment opportunities that come to the market. Acktion's success relates to its ability to identify businesses that are under performing. Acktion is able to properly capitalize the business, consolidate separate entities into one organization and appoint experienced management. These changes give the organization a presence in the marketplace where they conduct business, provide synergies and create efficiencies.

We believe that our commitment to this strategy will produce above average returns over the long-term. Fulfillment of our business strategy will achieve the Company's objectives with sustainable cash returns and enhancement of long-term share value.

REVIEW OF FINANCIAL RESULTS

Funds from Operations

Funds from continuing operations is calculated as net earnings adjusted for non cash items, gains/losses on sale, write downs, earnings of equity accounted investments and distributions from equity accounted investments. Funds from continuing operations increased 89.9 percent from $59.6 million in 2000 to $113.2 million in 2001. This equates to $7.63 per share compared with $3.88 in 2000. Acktion's portion of funds from continuing operations after adjusting for the minority interest of Morguard REIT and Goldlist and the special dividend from Revenue Properties totals $50.5 million or $3.40 per share.

(in thousands of dollars, except for share data)	**2001** **$**	2000 $
Funds from continuing operations	**113.2**	59.6
Less – special dividend from Revenue Properties	**39.0**	–
– minority interest	**23.7**	21.8
Adjusted funds from continuing operations	**50.5**	37.8
Shares outstanding	**14,851,000**	15,366,000
Adjusted funds from continuing operations per share	**$3.40**	$2.46

Adjusting funds from operations for leasing costs and changes in operating assets and liabilities results in $89.1 million in cash provided by operating activities.

Net Earnings

Net earnings from continuing operations totalled $36.3 million in 2001, or $2.39 per share compared to $31.7 million or $2.03 per share in 2000. In 2000, the Company also reported a gain on sale of discontinued operations of $7.8 million realized on the sale of Reynolds Fasteners Inc.

During the year, management of the Company redefined its reporting segments. Previously property management was grouped with real estate operations. By separating these two segments, management is better able to evaluate the performance of its owned assets and to assess the return on its property management business.

Real Estate Operations

Revenue

Income from properties increased to $240.8 million from $204.1 million in 2000, an increase of $36.7 million or 18.0 percent. Continued improvement in the residential portfolio contributed $10 million in internal revenue growth and the remainder of the increase results from higher income in the retail portfolio, the result of property acquisitions made in the second half of 2000 and renovations and expansion undertaken during 2001.

($ millions)	**2001**		2000		Change	
	$	**Percent**	$	Percent	$	Percent
Retail	**109.6**	**45.5**	82.4	40.4	27.2	33.0
Residential	**71.7**	**29.8**	61.0	29.9	10.7	17.5
Office	**42.2**	**17.5**	41.4	20.3	0.8	1.9
Industrial	**17.3**	**7.2**	19.3	9.4	(2.0)	(10.4)
Total	**240.8**	**100.0**	204.1	100.0	36.7	18.0

Net Property Income

Net property income is income from properties less the property operating expenses. Net property income increased $22 million to $138.4 million. Retail properties accounted for 56.4 percent of the increase as Morguard REIT records the first full year of income from Parkland Mall and the 50 percent of St. Laurent that was purchased in December 2000, as well as renovations and expansions undertaken in the retail portfolio during 2001. The residential portfolio accounted for 32.7 percent of the increase, the result of higher rental income as buildings are upgraded and lower energy costs are realized.

($ millions)	**2001**		2000		Change	
	$	**Percent**	$	Percent	$	Percent
Retail	**61.6**	**44.5**	49.2	42.3	12.4	56.4
Residential	**39.3**	**28.4**	32.1	27.6	7.2	32.7
Office	**21.4**	**15.5**	21.8	18.7	(0.4)	(1.8)
Industrial	**16.1**	**11.6**	13.3	11.4	2.8	12.7
Total	**138.4**	**100.0**	116.4	100.0	22.0	100.0

Management and Other Operations

Real Estate Management

Acktion manages a portfolio of office, industrial, retail and residential properties for institutional and other investors. Fees are earned for the following services: asset management, property management, new business, leasing and dispositions. Fee income from real estate management totalled $33.7 million and accounts for 10.5 percent of total revenue. Net earnings before taxes for the year totalled $5.5 million in 2001 compared to $4.2 million in 2000.

Sales of Condominiums and Products

Sales of condominiums and products totalled $46.5 million in 2001, an increase of $22.8 million over the prior year. The increase is due to condominium sales of $40.3 million being recorded in 2001 compared to $17.5 million in 2000.

Equity Accounted Investments

In 2001, earnings from equity accounted investments totalled $15.8 million, compared to $3.7 million in the prior year. Acktion has two investments that are equity accounted. Acktion recorded income of $16.3 million from Revenue Properties and a loss of $0.6 million from MFP in 2001. MFP was the only equity accounted investment and accounts for the full $3.7 million in 2000. Included in the earnings from Revenue Properties, is a one-time gain realized on the sale of its investments in Pan Pacific resulting in an additional $13.8 million in income being recorded by Acktion. As well, MFP recorded a reserve of $25.0 million during the year of which Acktion's share was $7.8 million.

Gains on Sales

During the year, Acktion recorded $4.4 million in net gains, compared to $28.0 million in 2000. Morguard REIT realized $3.2 million of the gain, the result of property sales.

FINANCIAL CONDITION

Assets

Consolidated assets at year-end totalled $1,757 million compared to $1,651 million at December 31, 2000. The increase in assets is primarily from a $63.2 million increase in real estate assets and a $22.4 million increase in investments. Real estate operations accounts for 96.0 percent of the Company's total assets.

Real Estate Assets

Consolidated real estate assets had a book value of $1,479 million at December 31, 2001. This compares with a book value of $1,415 at December 31, 2000. The $63.2 million net increase in the book value is the result of a $83.0 million net increase in the residential and retail portfolio offset by a $19.8 million decline in the office and industrial portfolio. The net increase in the residential and retail portfolio is the result of the acquisition of a partial interest in a regional shopping centre and the ongoing capital expenditure programs. The decrease in office and industrial is due to $24.2 million in asset sales.

Investments

Consolidated investments at year-end were $118.0 million, compared to $95.7 million in 2000. Acktion has investments in Revenue Properties and MFP. The Company has invested a total of $79 million in the common shares and convertible debentures of Revenue Properties and $38.4 million in MFP.

During the year, the management of MFP reserved $25.0 million for potential litigation. The management of Acktion reviewed its carrying cost of its investment in MFP against the current market value. Management does not believe the difference between book value and market value represents a permanent impairment.

The net increase in investments from the prior year is primarily due to the purchase of an additional 20.1 million shares of Revenue Properties for $53.2 million, equity income of $15.7 million and a decrease due to dividends received of $43.9 million.

Liabilities

Mortgages Payable on Real Estate Assets

All mortgage debt is secured against specific assets held by Morguard REIT, Goldlist and various single purpose companies. There are no guarantees by Acktion to these companies. Mortgages payable have increased $58.4 million, the result of mortgages assumed on acquisitions and mortgage refinancing. As at December 31, 2001, the weighted average interest rate was 6.78 percent with a weighted average maturity of 5.9 years.

Bank Indebtedness and Construction Financing

Acktion and its operating companies have credit and operating lines totalling $221.4 million and at December 31, 2001, $127.0 million had been borrowed against these facilities. Marketable securities, investments, accounts receivable and capital assets have been pledged as collateral for the loans.

Additionally, a credit facility for construction financing of $41.2 million is available for the completion of condominium projects under development, to be repaid out of the proceeds from unit sales. At year-end, the Company had $28.0 million in construction financing outstanding.

SHAREHOLDERS' EQUITY

Consolidated shareholders' equity on December 31, 2001 totalled $424.1 million or $28.56 per share, compared to $405.4 million, or $26.39 per share, for the year ended 2000.

In 2001, the Company repurchased 747,700 of its shares for $12.4 million at a weighted average cost of $16.52 per share under its normal course issuer bid. Acktion has the right under a normal course issuer bid that expires September 19, 2002, to acquire an additional 748,996 shares for cancellation.

During the year, the Company paid an annual dividend of $0.50 per share, with semi annual payments of $0.25 being paid on March 30th and September 28th for total consideration of $7.6 million of which $6.3 million was in cash and the balance in shares issued under the Company's dividend re-investment plan. The Company offers a dividend reinvestment plan to its shareholders to permit the purchase of additional shares at a five percent discount to the recent trading price.

Liquidity

During 2001, the Company generated $113.2 million in funds from continuing operations and ended the year with cash and cash equivalents of $11.7 million. The Company has entered into various agreements for the purchase and development of properties. Should all conditions be met, expenditures in the next twelve months are estimated at $48.0 million.

The Company and its subsidiaries maintain cash, liquid assets and credit facilities to ensure that all commitments can be met and funds are available to capitalize on opportunities that will expand their businesses.

Given its strong earnings record, the quality of its asset portfolio, the strength of real estate markets and its conservative debt-to-equity structure, the Company believes that it has sufficient capital resources to execute its strategic plan and to finance continued growth.

Acktion's balance sheet at year-end has a debt to equity ratio of 2.22:1 and unused lines of credit totaling $107.6 million. During the year Acktion received cash distributions from the operating companies and long-term investments of $71.4 million as follows:

Revenue Properties	$ 44.8 million
Morguard REIT	$ 20.0 million
MFP	$ 1.8 million
Goldlist	$ 0.7 million
Others	$ 4.1 million
	$ 71.4 million

These funds have been used to pay corporate overhead, service corporate debt and to re-invest in the business. The cash distributions of Revenue Properties include the $39 million special dividend that is not expected to re-occur in 2002.

Subsequent Transactions

On January 10, 2002, Revenue Properties redeemed all of its outstanding 2003 convertible debentures. Acktion surrendered its $10.3 million investment in the debentures and realized a loss of $0.3 million.

On February 14, 2002, the Company completed a bid for the remaining shares of Goldlist, resulting in its ownership of 100.0 percent of the outstanding shares of Goldlist, and as a result, Goldlist ceased to be a reporting issuer.

RISK MANAGEMENT

Real Estate Industry

Despite a slowing of economic growth in Canada, the real estate industry has continued to perform well. There are, however, a number of business risks associated with real estate that management has a responsibility to identify and mitigate. These risks, and the strategies the Company uses to reduce their potential impact, are discussed below.

Leasing Risk

Risk associated with leasing space include; the renewal of maturing leases, the ability to lease vacant space, tenant failures, the ability to secure economic rents and reliance on any one tenant. The Company manages these risks by:

Diversification: The Company has invested in a diversified portfolio of office, industrial, retail and residential real estate. The portfolio is located in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Nova Scotia. Diversification reduces the Company's exposure to a decline in a regional market or asset category.

Location: The Company's commercial portfolio is located in the major urban centres across Canada. These cities do not depend on any one industrial sector or business to support their economy. The Company's multi-residential portfolio is primarily located in southern Ontario where vacancies rates are less than one percent.

Lease maturities: The Company has staggered lease maturities, minimizing increases in vacancy rates in any particular year.

Tenant mix: By diversifying its tenancy, the Company is not economically dependent on any single tenant. The largest tenant accounts for less than 1.0 percent of revenue.

The commercial portfolio has an overall vacancy rate of 10.3 percent and the multi residential portfolio, a vacancy rate of 4.0 percent.

Development Risk

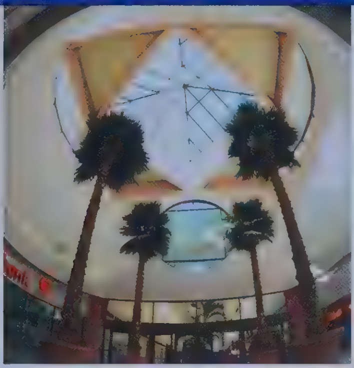
The Company's development operations seek to mitigate operating risk by prudent selection of development sites, not land banking and ensuring an adequate level of pre-sales prior to commencing construction.

Environmental Risk

As an owner and manager of real property, the Company is subject to various laws relating to environmental matters. These laws impose liability for the cost of removal and remediation of certain hazardous materials released or deposited on properties owned or managed by the Company or on adjacent properties. In order to ensure that the long-term value of properties owned or managed by the Company is maintained, a comprehensive environmental program to address environmental issues has been developed. These policies apply both to on going property operations, as well as due diligence in connection with acquisition and development activities. Acktion's management, and the management of each of the operating companies, are responsible for ensuring compliance with environmental legislation and are required to report quarterly to their respective board of directors. The Company is involved in the remediation of certain environmental situations and management has concluded that the estimated cost of remedial work has been adequately provided. The Company has obtained environmental insurance to further minimize risk.

Interest Rates

The principal risks associated with leverage are the Company's ability to meet its principal payments, refinance its maturities and manage its exposure to fluctuations in interest rates. These risks are mitigated by staggering debt maturities over a number of years and negotiating fixed interest rates on a significant portion of the term debt. The inherent risk in such a strategy is that, should interest rates decline, further benefits may only be achieved at the cost of penalties to terminate existing arrangements. As at December 31, 2001, The Company had 86.5 percent of its financing with fixed interest rates. Only 29.4 percent of the outstanding term debt matures over the next five years with no one year exceeding 11.8 percent.



Accounting Changes

The Company has adopted the CICA's new accounting standards for earnings per share effective January 1, 2001. This new standard has been applied retroactively.

The Company will adopt the CICA's new accounting standards for goodwill and business combinations effective January 1, 2002. The Company has not yet determined the impact on existing goodwill. For 2002 onward, the Company will cease to amortize its goodwill acquired on acquisitions. As a result, net income will increase by approximately $1.5 million or $0.10 per share in 2002. Goodwill will be tested annually for impairment under this new accounting standard.

The Company will also adopt the CICA's new accounting standard for stock-based compensation effective January 1, 2002. This new standard will be applied for all options granted under the stock option plan on or after that date. The Company has chosen to use the intrinsic method for options granted to employees. As a result, note disclosure will be provided on the impact on earnings per share had the fair value method been selected.

PORTFOLIO PERFORMANCE

The real estate market is well balanced in respect to supply and demand, a far cry from previous Canadian economic cyclical lows, when oversupply has seriously delayed recovery. Employee reductions continued through 2001, resulting in sublet space returning to the market. Because of this, rental rates have experienced some weakening as the market attempts to absorb the space. The commercial real estate sector has refrained from overbuilding with little or no speculative developments having occurred. As a result, there is not an abundance of vacant space in major urban markets in Canada. The sublet space will be absorbed by small and medium sized businesses as growth resumes. Employers seeking large contiguous space will still be limited in their choices.

The multi-residential portfolio continues to record increased cash flow, the result of the capital enhancement program commenced in the mid 90's generating additional unit income. This sector has also benefited from the reduction in energy prices that occurred in 2001. The majority of our portfolio is located in Toronto, where the market vacancy remains below one percent. Acquisition of new product is difficult in the current market as pricing is very aggressive.

The portfolio benefited from attractive mortgage financing that existed through 2001 and the Company capitalized on this opportunity. Mortgage financing that matured during the year was renewed or replaced with cheaper debt. The Company refinanced a number of multi-residential loans to take advantage of the lower rates, which will be realized in future earnings.

With the purchase of the remaining shares of Goldlist, managements' priority is to integrate its operations under Acktion.

OUTLOOK

There are good indications that the Canadian economy is showing signs of recovery and that GDP growth will increase during the year. Interest rates have bottomed, inflation remains low, and consumers' disposable income is increasing as a result of government tax cuts.

Although it is clear that property rental rates weakened during the economic slowdown and increased unemployment of 2001, property performance still significantly exceeded previous Canadian economic cyclical lows. The reason was the healthy balance of supply and demand, low leverage and the much more disciplined approach that institutional owners and investors are applying to property investment.

Overall, real estate fundamentals remain strong in Canada. With little new supply, the economy projected to grow and employment rates exceeding expectation, we believe that the Company is well positioned and financed to meet its targets for long-term, sustainable, growth which will meet the expectations of our shareholders.

MANAGEMENT'S REPORTING RESPONSIBILITY

The accompanying consolidated financial statements of Acktion Corporation and its subsidiaries, and all information in this annual report, are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in conformity with accounting principles generally accepted in Canada. The financial statements include some amounts that are based on best estimates and judgments. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

Management of the Company and its subsidiaries, in furtherance of the integrity and objectivity of data in the financial statements, has developed and maintains a system of internal accounting controls. Management believes that this system of internal accounting controls provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its audit committee, consisting solely of outside directors. The audit committee reviews the Company's annual consolidate financial statements and recommends their approval to the Board of Directors. The shareholders' auditors have full access to the audit committee, with and without management being present.

These financial statements have been examined by the shareholders' auditors, Ernst & Young LLP, Chartered Accountants, and their report is presented below.

K. (Rai) Sahi
Chairman and Chief Executive Officer

Bart Munn
Vice-President, Finance and Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of
Acktion Corporation

We have audited the consolidated balance sheets of **Acktion Corporation** as at December 31, 2001 and 2000 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants

Toronto, Canada,
February 25, 2002.

(in thousands of dollars)

	2001 $	2000 $
ASSETS		
Real estate assets, net *(note 4)*	**1,478,698**	1,415,478
Investments *(notes 5 and 23)*	**118,065**	95,675
Goodwill and other assets *(note 6)*	**75,035**	73,579
Amounts receivable *(note 7)*	**56,521**	38,709
Future income tax assets *(note 14)*	**6,239**	17,701
Cash and cash equivalents	**11,659**	5,573
Capital assets, net *(note 8)*	**3,412**	4,216
Income and other taxes recoverable	**6,891**	–
	1,756,520	1,650,931
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Mortgages payable on real estate assets *(note 9)*	**816,340**	757,957
Bank indebtedness and loans *(note 10)*	**126,953**	118,062
Accounts payable and accrued liabilities	**71,020**	73,672
Future income tax liabilities *(note 14)*	**43,237**	43,475
Construction financing on properties under development and for sale *(note 11)*	**28,092**	22,616
Income and other taxes payable	**–**	4,585
Total liabilities	**1,085,642**	1,020,367
Minority interest *(note 9)*	**246,758**	225,137
Commitments and contingencies *(note 17)*		
Shareholders' equity		
Share capital *(note 12)*	**125,975**	130,013
Retained earnings	**298,145**	275,414
Total shareholders' equity	**424,120**	405,427
	1,756,520	1,650,931

See accompanying notes

On behalf of the Board:

K. (Rai) Sahi
Director

Wayne M.E. McLeod
Director

(in thousands of dollars, except for per share amounts)

	2001 $	2000 $
REVENUE		
Income from properties	**240,839**	204,110
Fees and other income	**33,664**	32,492
Sales of condominiums and products	**46,543**	23,785
	321,046	260,387
EXPENSES		
Property operating	**102,402**	87,709
Property management and administration	**44,412**	38,557
Cost of sales	**43,004**	22,038
	189,818	148,304
Earnings from continuing operations before the undernoted	**131,228**	112,083
Amortization	**13,985**	16,902
Interest	**7,432**	4,148
Interest on mortgages payable on real estate assets	**53,825**	45,431
	75,242	66,481
Earnings before other income (expense), income taxes and minority interest	**55,986**	45,602
Other income (expense)		
Interest and other	**2,618**	5,596
Cost of early settlement of mortgages	**(3,206)**	–
Net gain on sale of assets and investments *(notes 4,5 and 8)*	**4,444**	27,979
Earnings of equity-accounted investments	**15,784**	3,677
Write-down of assets and investments	**–**	(9,130)
	19,640	28,122
Earnings from continuing operations before income taxes and minority interest	**75,626**	73,724
Provision for income taxes *(note 14)*		
Current	**4,774**	9,142
Future	**10,774**	11,104
	15,548	20,246
Minority interest	**(23,746)**	(21,816)
Net earnings from continuing operations	**36,332**	31,662
Gain on sale of discontinued operations *(note 13)*	**–**	7,782
Net earnings for the year	**36,332**	39,444
Retained earnings, beginning of year	**275,414**	244,195
Dividends paid	**(7,589)**	(3,858)
Excess of purchase price of common shares over average carrying value	**(6,012)**	(4,367)
Retained earnings, end of year	**298,145**	275,414
Net earnings per common share		
Basic – continuing operations	**$2.39**	$2.03
Diluted – continuing operations	**$2.35**	$2.03
Basic – net earnings	**$2.39**	$2.53
Diluted – net earnings	**$2.35**	$2.53

See accompanying notes

(in thousands of dollars)

	2001 $	2000 $
OPERATING ACTIVITIES		
Net earnings from continuing operations	**36,332**	31,662
Items not affecting cash		
Minority interest	**23,746**	21,816
Amortization	**13,985**	16,902
Future income taxes	**10,774**	11,104
Net gain on sale of assets and investments	**(4,444)**	(27,979)
Write-down of assets and investments	**–**	9,130
Earnings of equity accounted investments	**(15,784)**	(3,677)
Other items	**1,456**	(813)
Cost of early settlement of mortgages	**3,206**	–
Distributions from equity accounted investments	**43,968**	1,476
Funds from continuing operations	**113,239**	59,621
Leasing costs	**(8,906)**	(6,498)
Net change in operating assets and liabilities	**(15,268)**	(17,271)
	89,065	35,852
Cash provided by discontinued operations	**–**	35,680
Gain on sale of discontinued operations	**–**	7,782
Cash provided by operating activities	**89,065**	79,314
FINANCING ACTIVITIES		
Net proceeds from (repayment of) bank indebtedness and loans	**8,891**	(81,158)
Proceeds from mortgages payable on real estate assets	**91,390**	15,500
Proceeds from construction financing on properties under development	**17,070**	17,338
Repayment of construction financing on properties under development	**(11,594)**	–
Repayment of mortgages payable on real estate assets	**(67,483)**	(21,710)
Proceeds on issue of common shares	**1,049**	103
Proceeds on issue of common shares of subsidiary company	**19,179**	1,783
Shares purchased for cancellation	**(12,354)**	(9,566)
Dividends paid	**(6,334)**	(3,858)
Distribution to subsidiary unitholders/shareholders	**(20,036)**	(17,468)
Buy back of subsidiary's common shares	**(41)**	(1,957)
Cash provided by (used in) financing activities	**19,737**	(100,993)
INVESTING ACTIVITIES		
Purchase of real estate and capital assets	**(78,350)**	(83,507)
Proceeds from sale of assets and investments	**30,911**	106,180
Purchase of investments	**(55,277)**	(2,084)
Cash (used in) provided by investing activities	**(102,716)**	20,589
Net increase (decrease) in cash and cash equivalents during the year	**6,086**	(1,090)
Cash and cash equivalents, beginning of year	**5,573**	6,663
Cash and cash equivalents, end of year	**11,659**	5,573

See accompanying notes

1. NATURE OF OPERATIONS

Acktion Corporation (the "Company") is a real estate investment company formed under the laws of Canada whose principal activities include property ownership, development and property management services. Property ownership encompasses interests in both commercial and residential real estate. The diverse portfolio of commercial real estate includes retail, office and industrial properties across seven Canadian provinces. Through its residential real estate holdings, the Company, in addition to providing rental services, constructs and sells residential condominiums.

2. CHANGE IN ACCOUNTING POLICY

Earnings per share

Effective January 1, 2001, the Company adopted the Canadian Institute of Chartered Accountants recommendation related to the accounting for earnings per share. This recommendation requires the application of the treasury stock method for the calculation of the dilutive effect of stock options and other dilutive securities. In accordance with the provisions of the new recommendations, the Company has restated the diluted earnings per share for the prior year. The retroactive impact of adopting this new recommendation for the year ended December 31, 2000 was an increase in diluted earnings per share of $0.09.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and its accounting policies and standards of financial disclosure are substantially in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies.

Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. In determining estimates of net recoverable amounts and net realizable values for its real estate assets, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries and the Company's proportionate share of the assets, liabilities, revenue and expenses of its co-ownership interests, which include incorporated and unincorporated joint ventures and partnerships, held by certain of the Company's subsidiaries. The Company's principal operating companies and respective ownership interest in each are as follows:

Ownership	**2001** %	2000 %
Morguard Investments Limited	**100.00**	100.00
Goldlist Properties Inc. *(note 23)*	**68.32**	66.32
Morguard Real Estate Investment Trust ("Morguard REIT")	**50.24**	50.10

The Company accounts for companies in which it exercises significant influence by the equity method. Long-term investments in companies in which the Company does not have significant influence are recorded at cost. When there is a permanent impairment in value of long-term investments, they are written down to net realizable value.

The excess of cost over fair value of net assets acquired for equity-accounted non-real estate investments is amortized to earnings on a straight-line basis over 5 years.

Real estate assets

Revenue producing properties

Revenue producing properties are stated at the lower of cost, net of accumulated amortization, and net recoverable amount. Net recoverable amount is the projected undiscounted net cash flow from use of the property together with residual value. Since this calculation reflects the long-term nature of the investment, the carrying value of the property may, at any given time, exceed its net realizable value.

The sinking fund method of providing amortization is used for revenue producing properties. This method charges the cost of buildings over maximum periods of 40 years for commercial real estate and 50 years for residential real estate in a series of annual installments increasing at the rate of 5% compounded annually.

Included in buildings are appliances capitalized and amortized on a 10% straight-line method. Major capital improvements are capitalized and amortized over terms appropriate to the expenditure.

Revenue producing properties includes an investment in real estate recorded at cost. This investment represents the Company's interest in a co-ownership venture over which it does not exercise significant influence.

Properties under development and for sale and capitalization of costs

Properties under development and for sale are valued at the lower of cost and net realizable value at the expected time of sale. Net realizable value represents the amount of estimated net sales proceeds, taking into account management's assumptions and projections for the development of the property and market conditions.

The cost of properties under development includes all expenditures incurred in connection with the acquisition, including other direct costs, realty taxes, initial marketing and tenanting of the building to prepare it for its productive use, the applicable portion of general and administrative expenses and interest on debt related to the development.

Deferred expenses

Leasing and financing costs are amortized on a straight-line basis over the terms of the leases or debt to which they relate.

Recoverable repair costs

Major recoverable repair costs of commercial real estate assets are deferred and subsequently recovered from tenants over varying periods of up to 10 years.

Revenue recognition

Income from properties includes rents by tenants under lease agreements, percentage participation rents, property tax and operating cost recoveries, lease cancellation fees, leasing concessions, parking income and incidental income. Percentage participation rent is recognized after the minimum sales level has been achieved in accordance with each lease. All other rental revenue is recognized in accordance with each lease. Revenue from commercial real estate is recognized upon the earlier of attaining a break-even point in cash flow after debt servicing or the expiration of a reasonable period of time following substantial completion subject to the time limitation determined at the time of approval of the project. Revenue from residential real estate is recognized after an occupancy level of 70% is achieved. Prior to this time, the property is categorized as a development property.

Revenue from the sale of properties is recognized once all significant conditions have been met and collection of the proceeds from sale is reasonably assured. Revenue from residential land sales are recognized when all material conditions of the related agreement of purchase and sale have been met and at least 15% of the total purchase price has been received.

Condominium unit sales are recognized as revenue when the amount due on first closing is received in cash. At that time, the purchaser is entitled to occupancy and undertakes to assume a mortgage for the balance of the purchase price and the vendor undertakes to transfer title on registration under the Condominium Act of the applicable jurisdiction.

Land sales are recognized as revenue when all material conditions of the related agreement of purchase and sale have been met and at least 15% of the total purchase price has been received.

Revenue from sales of product and service is recognized when the goods are shipped or the service performed.

Goodwill and other assets

On acquisition, the underlying fair value of net identifiable assets is determined and goodwill is recognized as the excess of the purchase price over this amount. Goodwill is amortized on a straight-line basis over 20 years. Periodically, the Company reviews its goodwill account to assess whether the value has been impaired based upon projected undiscounted net cash flows of the related operations.

Marketable securities are valued at the lower of cost and market value, determined on an aggregate investment basis and dividends on these investments are recorded as income when received.

Inventories, comprising finished goods, are valued at the lower of average cost or net realizable value.

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided over the estimated useful lives using the following rates and methods:

Equipment held for lease	Straight-line over the term of the lease
Equipment	10% – 20% straight-line
Leasehold improvements	Straight-line over the term of the lease

Income taxes

The Company uses the liability method of tax allocation for accounting for income taxes. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Cash and cash equivalents

Cash equivalents comprise only highly liquid investments with original maturities at the date of purchase of less than ninety days. Cash equivalents are carried at cost, which approximates market value.

Pensions

The Company recognizes the cost of all defined benefit plans in the period in which the employee has rendered services to the entity. The cost and obligations of pensions earned by employees are actuarially determined using the projected benefit method prorated on service and management's best estimate of assumptions of future investment returns, salary changes, retirement ages of employees and expected health care costs. The costs of the plan are then attributed over the period in which the employee becomes entitled to benefits under the plan. For the purpose of calculating the expected return on plan assets those assets are valued at fair value.

The discount rate used to calculate pension obligations is determined on the basis of current market rates and re-evaluated at each year end.

Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding in each respective period. Diluted earnings per share is calculated using the treasury method. Under this method, proceeds that could be obtained upon exercise of options and warrants are assumed to be used to purchase common shares at the average market price during the period.

Stock-based compensation

No compensation expense is recognized for the plan when stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital.

4. REAL ESTATE ASSETS

Real estate assets consist of the following:

	2001			2000		
(in 000's)	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Revenue producing properties						
Buildings	1,028,860	21,300	1,007,560	1,011,469	11,332	1,000,137
Land	350,307	–	350,307	358,270	–	358,270
	1,379,167	21,300	1,357,867	1,369,739	11,332	1,358,407
Properties under development	77,525	–	77,525	51,710	–	51,710
Properties held for sale	5,361	–	5,361	5,361	–	5,361
Investment in a regional shopping center, at cost	37,945	–	37,945	–	–	–
	1,499,998	21,300	1,478,698	1,426,810	11,332	1,415,478

During the year, interest expense of $3.5 million (2000 – $2.8 million) was capitalized to properties under development.

During 2001, the Company sold revenue producing properties and properties held for sale for proceeds of $28.5 million (2000 – $28.5 million) and realized a gain of $3.7 million (2000 – $4.5 million).

During 2001, the Company reclassified certain properties with a net book value of $11.2 million, previously available for sale, to revenue producing properties. Also, a subsidiary of the Company reclassified land and buildings in the amount of $14.8 million from the prior year to properties under development.

On October 10, 2001 the Company purchased a 20.7% interest in a regional mall located in the Greater Toronto Area for cash of $15.4 million and assumed a mortgage payable of $22.5 million. This investment is accounted for at cost.

5. INVESTMENTS

Investments include significantly influenced companies and other portfolio investments. The significantly influenced companies are recorded at cost plus the Company's share of earnings (loss) since the date of significant influence.

	2001			2000		
(in 000's)	Equity accounted investments $	Other $	Total $	Equity accounted investments $	Other $	Total $
Investments in publicly traded companies						
Real estate						
Revenue Properties Company Limited						
– convertible debentures	–	40,657	40,657	–	41,393	41,393
– equity investment (2000 – cost)	39,020	–	39,020	–	11,609	11,609
	39,020	40,657	79,677	–	53,002	53,002
Other						
MFP Financial Services Limited	38,388	–	38,388	41,516	–	41,516
	77,408	40,657	118,065	41,516	53,002	94,518
Investments in non-publicly traded companies						
Other investments	–	–	–	–	1,157	1,157
	77,408	40,657	118,065	41,516	54,159	95,675

During 2001, the Company sold an investment for proceeds of $1.5 million (2000 – nil) and realized a gain of $343,000 (2000 – nil).

The excess of the carrying value over the Company's share of the underlying net book value of the assets accounted for by the equity method was $1.4 million (2000 – $2.1 million).

The market value of the investments in publicly traded companies excluding Revenue Properties Company Limited's convertible debentures at December 31, 2001 was $67.1 million (2000 – $44 2 million).

Certain investments totalling $79.0 million (2000 – $82.9 million) have been pledged as collateral against the Company's borrowing facilities.

Revenue Properties Company Limited ("RPCL")

On January 8, 2001 the Company purchased an additional 20.1 million common shares of RPCL for cash consideration of $53.2 million. The transaction brought the Company's total holdings in RPCL to 40.7%. As a result the Company exercises significant influence over RPCL and now accounts for the investment in RPCL, using the equity method. Previously the investment in RPCL was accounted for as a portfolio investment.

During 2001, the Company has recorded equity income of $16.3 million and received dividends of $42.1 million.

RPCL's convertible debentures bear interest at rates of 7.5% to 7% with maturities of 2003 and 2006. The debentures are convertible into common shares at prices of $1.95 and $1.74 per common share at any time prior to the earlier of September 30, 2003 or December 31, 2006 and the last business day immediately preceding the date specified for redemption. The debentures are convertible at any time at the option of the holder prior to maturity, and are redeemable by RCPL at any time at par plus accrued and unpaid interest. The publicly traded debentures have an estimated fair value of $36 million at December 31, 2001 (2000 – $30.4 million).

On January 10, 2002, RPCL called its convertible debentures with a face value of $10.0 million, bearing interest at a rate of 7.5% with a maturity in 2003. The Company's carrying value of the debentures was $10.3 million. The Company surrendered the debenture and realized a loss of $246,000.

MFP Financial Services Limited ("MFP")

The Company accounts for its 31.3% investment in MFP using the equity method. There were different litigation matters brought against MFP during the year with respect to its lease transactions. MFP has recorded a special provision of $25.0 million in its third quarter ended December 31, 2001 to address these litigation matters. As a result, the Company has recorded an equity loss during the year of $560,000 (2000 – equity income of $3.6 million). The Company has made no additional provision with respect to litigation matters of MFP. The Company received dividends of $1.8 million (2000 – $1.5 million). As at December 31, 2001 the market value of the Company's investment in shares is $27.7 million (2000 – $30.5 million). Management does not believe that the difference between this amount and its book value ($38.4 million; 2000 – $41.5 million) represents a permanent impairment.

6. GOODWILL AND OTHER ASSETS

Goodwill and other assets consist of the following:

	2001			2000		
(in 000's)	**Cost** **$**	**Accumulated amortization** **$**	**Net book value** **$**	Cost $	Accumulated amortization $	Net book value $
Goodwill	**29,045**	**4,557**	**24,488**	29,045	3,105	25,940
Deferred leasing	**19,425**	**3,794**	**15,631**	10,999	1,847	9,152
Deferred financing	**4,519**	**1,888**	**2,631**	3,963	1,269	2,694
	52,989	**10,239**	**42,750**	44,007	6,221	37,786
Marketable securities	**482**	–	**482**	549	–	549
Restricted cash balances	**2,096**	–	**2,096**	9,648	–	9,648
Inventory	**1,675**	–	**1,675**	1,568	–	1,568
Recoverable repair costs	**13,421**	–	**13,421**	11,724	–	11,724
Prepaid expenses and other	**14,611**	–	**14,611**	12,304	–	12,304
	85,274	**10,239**	**75,035**	79,800	6,221	73,579

Marketable securities of $482,000 (2000 – $549,000) comprise publicly traded shares which have been pledged as collateral for a bank credit facility. The carrying value of the marketable securities approximates market value.

Included in restricted cash balances are term deposits and account balances that are pledged as collateral for letters of credit or held in trust for deposits on sale of condominium units and payment of real estate commissions.

7. AMOUNTS RECEIVABLE

Included in amounts receivable are mortgages receivable of $399,000 (2000 – $4.9 million) due during 2002 and a receivable on sale of condominium units of $39.1 million (2000 – $17.4 million) due on final closing.

8. CAPITAL ASSETS

Capital assets consist of the following:

	2001			2000		
(in 000's)	**Cost** **$**	**Accumulated amortization** **$**	**Net book value** **$**	Cost $	Accumulated amortization $	Net book value $
Equipment held for lease	**1,020**	**779**	**241**	4,672	2,975	1,697
Equipment	**5,115**	**2,977**	**2,138**	3,733	2,308	1,425
Leasehold improvements	**2,181**	**1,148**	**1,033**	2,026	932	1,094
	8,316	**4,904**	**3,412**	10,431	6,215	4,216

Certain of the Company's capital assets have been pledged as collateral against the Company's borrowing facilities.

During 2001, the Company sold some capital assets for proceeds of $819,000 (2000 – nil) and realized a gain of $42,000 (2000 – nil).

9. MORTGAGES PAYABLE ON REAL ESTATE ASSETS

Mortgages payable on real estate assets, which are all at fixed rates, are as follows:

(in 000's)	**2001** **$**	2000 $
Mortgages payable on real estate assets	**456,249**	392,927
Mortgage bonds	**360,091**	365,030
	816,340	757,957
Estimated fair market value of mortgages	**826,949**	753,283
Weighted average interest rate of mortgages at the year end	**6.78%**	6.92%

Substantially all of the Company's real estate assets and related rental revenue have been pledged as collateral for the debt.

On November 3, 2000, Morguard REIT issued a $25.0 million, 7.9% unsecured convertible debenture for the purchase of real estate assets. The debenture is convertible into units at the option of Morguard REIT on October 31, 2002 at a price per unit equal to 90% of the current market price of the units prevailing on such date; provided, however, that the maximum number of units issuable upon conversion thereof is limited to 9,850,794. Interest is payable until the earlier of maturity date or conversion date. If the debenture is not converted on October 31, 2002, the debenture will have a further maturity date of October 31, 2005. Accordingly, the convertible debenture has been divided into its liability and equity components. The liability of $1.9 million (2000 – $3.5 million) has been included in mortgages payable on real estate assets. The equity component has been included in minority interest.

The aggregate sinking fund obligations and principal repayments of the mortgages payable on real estate assets in the next five years and thereafter are as follows:

(in 000's)	$
2002	96,285
2003	29,539
2004	54,835
2005	21,372
2006	38,060
Thereafter	576,249
	816,340

10. BANK INDEBTEDNESS AND LOANS

The Company and its subsidiaries have credit facilities and operating lines totalling $221.4 million. An available credit facility of $60.0 million is repayable on demand until July 1, 2002, at which time it becomes due. Marketable securities, accounts receivable, inventory and capital assets have been pledged as collateral on these credit facilities and operating lines. As at December 31, 2001, the Company had borrowed $127.0 million (2000 – $118.1 million) related to these facilities.

Under the terms of its operating lines of credit, the Company is able to make use of bankers' acceptances at stamping fees of 175 basis points. As the majority of the debt is current, the carrying value of the debt at December 31, 2001 approximates its fair value.

The bank credit agreement includes certain restrictive covenants and undertakings by the Company and its subsidiaries. As at December 31, 2001, the Company is in compliance with all covenants and undertakings.

11. CONSTRUCTION FINANCING ON PROPERTIES UNDER DEVELOPMENT

The Company has construction financing available of $41.2 million secured by properties under development and for sale which bears a weighted average interest of 4.9% per annum (2000 – 8.7% per annum). This financing has been drawn from available lines of credit established to facilitate the completion of the projects under development and is to be repaid out of the proceeds from sales of condominium units. As at December 31, 2001, the Company borrowed $28.0 million (2000 – $22.6 million) in construction financing.

12. CAPITAL STOCK

(a) Share capital

Authorized

Unlimited preference shares, no par value, issuable in series

Unlimited common shares, no par value

Issued and fully paid (in 000's)	Number of common shares	$
Balance December 31, 1999	16,104	136,284
Employee stock options	15	103
Shares repurchased through the Company's normal course issuer bid	(753)	(6,374)
Balance December 31, 2000	**15,366**	**130,013**
Dividend reinvestment plan	**82**	**1,255**
Employee stock options	**151**	**1,049**
Shares repurchased through the Company's normal course issuer bid	**(748)**	**(6,342)**
Balance December 31, 2001	**14,851**	**125,975**

	2001	**2000**
Weighted average common shares outstanding – basic	**15,211**	15,575
Dilutive effect of stock options	**230**	18
Weighted average common shares outstanding – diluted	**15,441**	15,593

The Company has been approved by The Toronto Stock Exchange to make a normal course issuer bid to purchase up to 748,996 (2000 – 770,330) common shares. The program expires September 19, 2002 (2000 – September 15, 2001). During 2001, in connection with the current and previous plans, the Company purchased and cancelled 747,700 common shares (2000 – 753,264) for cash consideration of $12.4 million (2000 – $9.6 million).

Prices paid for the repurchased shares ranged from between $16.48 to $16.75 (2000 – between $10.15 to $13.55) per share. The average price paid was $16.52 (2000 – $12.41) per share. The excess paid over the average cost per share has been charged to retained earnings.

(b) Stock options

A total of 400,100 common shares (2000 – 195,288) are available for granting in the employee stock option plan. The options vest 20% on each anniversary from the date of granting.

A summary of the status of the stock option plan as at December 31, 2001 is as follows:

	Number outstanding #	Weighted average price $	Number of exercisable options #
Outstanding at December 31, 1999	1,358,000	12.24	616,800
Exercised	(15,000)	6.89	
Cancelled	(168,000)	12.22	
Outstanding at December 31, 2000	1,175,000	12.31	695,000
Granted	**100,000**	**14.80**	
Exercised	**(150,700)**	**6.96**	
Cancelled	**(88,300)**	**15.51**	
Outstanding at December 31, 2001	**1,036,000**	**13.06**	**661,000**

At December 31, 2001, outstanding options have the following terms:

Common shares to be issued #	Range of exercise prices $	Weighted average price $	Expiry date	Number of exercisable options #	Weighted average price $
60,000	5.63	5.63	2002	60,000	5.63
10,000	7.88	7.88	2003	10,000	7.88
140,000	11.50–14.00	12.57	2004	140,000	12.57
125,000	10.25	10.25	2006	125,000	10.25
165,000	15.60	15.60	2007	132,000	15.60
135,000	15.60–16.75	16.06	2008	76,000	16.10
301,000	12.75–12.90	12.79	2009	118,000	12.79
100,000	14.80	14.80	2011	–	–
1,036,000				661,000	12.48

(c) Warrants

As at December 31, 2001, the Company has 125,000 warrants outstanding. These warrants were issued as part of a financing agreement and expire on July 2, 2004 with an exercise price of approximately $13.00

13. DISCONTINUED OPERATIONS

During 2000, the Company disposed of substantially all of the assets related to the sale and distribution of industrial fasteners. The disposition was made for proceeds of $59.8 million resulting in a gain of $7.8 million, which is net of the recognition of the prior years' cumulative translation adjustment of $506,000.

14. INCOME TAXES

Effective January 1, 2000, the Company adopted the liability method of tax allocation for accounting for income taxes as provided for in the new recommendations of The Canadian Institute of Chartered Accountants. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured by using the currently applicable tax rates and laws.

Prior to the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation. Under this method, future tax expense was based on items of income and expense that were reported in each year in the financial statements and in the tax returns and measured at the rate in effect in that year.

The consolidated financial statements for periods prior to the year ended December 31, 2000 have not been restated. The cumulative effect as at January 1, 2000 of adopting these recommendations was an increase in future tax liabilities and a decrease in retained earnings of $2.9 million.

(a) The Company's effective income tax rate is derived as follows:

	2001		2000	
(in 000's)	$	%	$	%
Income taxes at statutory rate	31,796	42.0	32,439	44.0
Minority interest in Morguard REIT income	(8,803)	(11.6)	(8,015)	(10.9)
Impact of changes in statutory rates	(3,239)	(4.3)	(3,376)	(4.6)
Earnings of equity accounted investments	(6,629)	(8.8)	(2,915)	(3.9)
Benefit of losses not previously recognized	–	–	(3,005)	(4.0)
Large Corporations Tax and other	2,423	3.2	5,118	6.9
	15,548	20.5	20,246	27.5

(b) The details of the provision for income taxes are as follows:

(in 000's)	2001 $	2000 $
Current provision		
Canadian federal taxes	3,650	7,352
Provincial taxes	1,124	1,790
	4,774	9,142
Future provision		
Canadian federal taxes	7,255	8,929
Provincial taxes	3,519	2,175
	10,774	11,104

(c) The components of consolidated future income taxes are as follows:

(in 000's)	2001 $	2000 $
Future income tax liabilities		
Real estate assets	**24,356**	29,830
Investments	**14,558**	10,640
Other	**4,323**	3,005
	43,237	43,475
Future income tax assets		
Non-capital losses benefited	**(1,143)**	(8,639)
Financing	**(3,868)**	(3,902)
Other	**(1,228)**	(5,160)
	(6,239)	(17,701)
	36,998	25,774

(d) The Company has non-capital losses of approximately $6.3 million (2000 – $18.1 million) that may be carried forward and used to reduce taxable income in future years. In addition, a subsidiary has non-capital losses $32.8 million (2000 – $33.5 million) which have not been recognized in the accompanying consolidated financial statements. The Company has non-capital losses that expire as follows:

(in 000's)	$
2002	2,061
2003	679
2004	166
2005	–
2006	3
Thereafter	3,418
	6,327

15. SUPPLEMENTAL CASH FLOW INFORMATION

(in 000's)	2001 $	2000 $
Interest expense	**65,737**	53,962
Income taxes paid	**15,115**	5,872
Mortgages assumed on the acquisition of real estate assets	**34,476**	84,856
Non-cash dividend issued under dividend reinvestment plan	**1,255**	–

16. PENSION PLANS

Effective January 1, 2000, the Company adopted CICA Section 3461 which requires that all costs of future employee benefits be accrued over the periods in which the employees' services are rendered. The calculation of the accrued benefit obligation is made using current settlement discount rates. Future obligations are determined using management's best estimates for various assumptions.

Up to December 31, 1999 the calculation of the accrued benefit obligation relating to future pension benefits was based on a projected rate of return on investments based on current rates and historic experience.

The effect of the new standard required the recognition of a transitional obligation as at January 1, 2000 amounting to $5.3 million. As the Company has chosen to adopt the new standard on a prospective basis, this transitional obligation is amortized as a part of pension costs over the estimated remaining service lives of the employees.

The Company maintains a contributory defined benefit pension plan covering certain of its employees. The plan provides benefits based on length of service and final average earnings. There are only three active members since the majority of members were employed in the Company's industrial products distribution business, which was sold in 1996. The pension obligations and related assets for the former employees remain part of the Company's defined benefit pension plan. The most recent actuarial valuation was as of December 31, 2001.

Morguard Investments Limited's ("Morguard") principal pension plan, Morguard Investments Limited Employees' Retirement Plan, is a defined benefit plan which provides benefits based on years of service, years of contributions and annual earnings. Membership is a requirement after a defined term of employment and age. Funding of the plan is provided by contributions from Morguard. Certain employees who commenced employment prior to January 1, 1997 elected to contribute to the plan and receive a higher benefit. The most recent actuarial valuation was as of December 31, 2001.

The cost of benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of compensation increases, retirement ages of employees, future termination levels and expected return on plan assets.

The significant actuarial assumptions adopted in measuring the Company's projected benefit obligations are as follows:

	Company	Morguard
Discount rate	**6.75%**	**6.75%**
Rate of compensation increase	**4.50%**	**3.00%**
Expected return on plan assets	**8.50%**	**8.50%**

Information about the Company's defined benefit plans is as follows:

	2001		2000	
	Company	**Morguard**	Company	Morguard
(in 000's)	**$**	**$**	$	$
Accrued benefit obligations				
Balance at beginning of year	**63,452**	**12,757**	68,566	12,401
Adoption of new standard	–	–	(4,405)	(208)
Current service cost	**59**	**1,010**	91	817
Interest cost	**4,306**	**944**	4,368	872
Benefits paid	**(5,010)**	**(564)**	(4,148)	(1,125)
Actuarial losses (gains)	**1,655**	**(215)**	(1,020)	–
Balance at end of year	**64,462**	**13,932**	63,452	12,757
Plan assets				
Fair value at beginning of year	**62,926**	**15,168**	56,213	13,955
Actual return on plan assets	**5,272**	**1,278**	8,316	2,054
Employer contributions	**2,183**	–	2,545	–
Employee contributions	–	**299**	–	284
Benefits paid	**(5,010)**	**(564)**	(4,148)	(1,125)
Actuarial gains (losses)	**904**	**(1,738)**	–	–
Fair value at end of year	**66,275**	**14,443**	62,926	15,168
Funded status – surplus (deficit)	**1,813**	**511**	(526)	2,411
Unamortized net actuarial loss (gain)	**(3,857)**	**1,204**	(4,608)	(320)
Unamortized transitional asset (obligation)	**6,076**	**(1,243)**	6,629	(1,579)
Accrued benefit asset	**4,032**	**472**	1,495	512

	2001		2000	
	Company	**Morguard**	Company	Morguard
(in 000's)	**$**	**$**	$	$
Current service cost	**59**	**711**	91	533
Interest cost	**4,306**	**944**	4,368	871
Expected return on plan assets	**(5,272)**	**(1,278)**	(4,728)	(1,196)
Amortization of transitional obligation (asset)	**552**	**(336)**	552	(335)
Net benefit plan expense (income)	**(355)**	**41**	283	(127)

17. COMMITMENTS AND CONTINGENCIES

(a) Commitments

Future minimum annual rental payments for operating leases are payable over the next five years as follows:

(in 000's)	$
2002	1,434
2003	695
2004	556
2005	327
2006	108
	3,120

The Company has entered into various agreements for the purchase and development of properties. Should all conditions be met, expenditure in the next twelve months is estimated at $48.0 million.

The Company is committed to make the following payments under a ground lease to the year 2065 for land upon which one of their properties is situated.

To February 28, 2003	– $445,000 per year
To February 28, 2005	– $457,000 per year
To February 28, 2009	– $469,000 per year
To February 28, 2011	– $493,000 per year
Subsequent to February 2011	– fair value of the land at February 2011 multiplied by 8.5% per annum

Within the normal course of business, the Company has commitments to complete servicing requirements with its residential land under development and income producing properties. These commitments have been guaranteed by irrevocable letters of credit amounting to $467,000 as at December 31, 2001 (2000 – $809,000).

(b) Contingencies

During 2000, an action was commenced by a developer against Morguard REIT and its trustees for approximately $22.7 million. This action relates to a property purchased from the developer in 1998. Morguard REIT has counterclaimed against the developer and another party. The outcome of the claims cannot be determined at this time. No provision for settlement of this claim has been included in Morguard REIT's accounts at this time. Morguard REIT is also seeking payment of a loan receivable from the developer of $1.3 million that was due in March 2001.

In addition, various other claims and legal proceedings have been asserted or instituted against the Company, including some of which demand large monetary damages or other relief which could result in significant expenditures. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable. A provision for these expenditures has been recorded based on management's best estimate. However, should the claim be settled for amounts in excess of the established reserves, such costs will be charged to operations as incurred.

18. RELATED PARTY TRANSACTIONS

Related party transactions are summarized as follows:

(in 000's)	**2001** **$**	2000 $
Amounts receivable		
Share purchase loans (a)	**1,283**	293
Fees and other income		
Tri-White Corporation (b)	**600**	600
Interest expense		
Tri-White Corporation (b)	–	210

(a) Share purchase loans

Share purchase loans to officers of the Company of $1.3 million (2000 – $128,000) are outstanding as at December 31, 2001. These loans are repayable on demand and are non-interest bearing. At December 31, 2000, an amount of $165,000 was due from a non-officer and this amount was received during 2001.

(b) Tri-White Corporation ("Tri-White")

The Company provides Tri-White with managerial and consulting services for its business and the business of its subsidiaries. Mr. K. (Rai) Sahi is a significant shareholder of Tri-White through his holding company, Paros Enterprises Limited and is Chairman and Chief Executive Officer of the Company. Paros Enterprises Limited is a significant shareholder of the Company. The Company receives a management fee of $600,000 per annum from Tri-White, under a contractual agreement at market related prices.

On November 26, 1999, the Company received a loan of $5.0 million from Tri-White for investment purposes. The loan was repayable on demand and bore interest at the 30-day bankers' acceptance rate. The loan was repaid during 2000.

19. CO-OWNERSHIP INTERESTS

The following amounts, included in these consolidated financial statements, represent the Company's proportionate share in co-ownership interests:

(in 000's)	**2001** **$**	2000 $
Balance sheet		
Assets	**122,721**	104,135
Liabilities	**122,082**	84,996
Equity	**639**	19,139
Statement of operations		
Revenue	**57,876**	34,874
Expenses	**49,636**	26,381
Earnings from operations	**8,240**	8,493
Statement of cash flows		
Cash flows resulting from:		
Operating activities	**(296)**	4,977
Financing activities	**23,600**	5,053
Investing activities	**(2,832)**	(6,425)

The Company is contingently liable for the other participants' share of incorporated and unincorporated co-ownerships and partnerships in which it participates. The other participants' share of the assets of the co-ownerships and partnerships is available for the purpose of satisfying such obligations. The carrying value of the assets of these co-ownerships exceeds the contingent liabilities.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's operations are subject to a number of risks and uncertainties, including, but not limited to, risks associated with the development of future properties, competition, the real estate markets and general economic conditions in which the Company competes, the availability and cost of financing and fluctuations in interest rates.

The Company is exposed to the following risks related to financial assets and liabilities:

(a) Interest rate risk

The Company minimizes its risk to unfavourable interest rate changes by ensuring that mortgage debt matures over a number of years. The Company also has outstanding bank loans, which would expose the Company to fluctuations in short-term interest rates.

(b) Credit risk

The Company operates as an investor in real estate assets. As an investor, the Company is exposed to credit risk to the extent that its tenants may fail to meet their obligations under the lease agreements. This risk is alleviated by minimizing the amount of exposure the Company has to any single tenant, ensuring a diversified tenant mix and purchasing property in several major geographic locations.

(c) Fair value

The fair value of cash and cash equivalents and marketable securities approximates their carrying value.

Amounts receivable, accounts payable and accrued liabilities, bank indebtedness and loans are also assumed to have a fair value that approximates their carrying value due to their short-term nature.

The fair value of mortgages payable on real estate assets has been determined by discounting the cash flows using current market rates of similar investments.

The fair value of investments having quoted market values and which are publicly traded on a recognized stock exchange are based on the quoted market prices.

21. SEGMENTED INFORMATION

The Company operates primarily in two segments, real estate and management and other operations. Real estate operations are defined to include property ownership and development. Management and other operations include property management, equipment leasing and distribution.

During the year management of the Company redefined its reporting segments. Previously, property management was grouped with real estate operations. With the disposition of a large segment of other non-real estate activities, management believes that the segregation of property management from real estate operations more closely reflects management's decision-making processes.

(in 000's)	**2001** Real estate operations $	**2001** Management and other operations $	**2001** Total $	2000 Real estate operations $	2000 Management and other operations $	2000 Total $
Revenue	**281,152**	**39,894**	**321,046**	221,630	38,757	260,387
Earnings from continuing operations before the undernoted	**124,091**	**7,137**	**131,228**	103,582	8,501	112,083
Amortization	**12,951**	**1,034**	**13,985**	16,022	880	16,902
Interest	**61,185**	**72**	**61,257**	49,481	98	49,579
Earnings before other income (expense), income taxes and minority interest	**49,955**	**6,031**	**55,986**	38,079	7,523	45,602
Interest and other	**1,961**	**657**	**2,618**	5,166	430	5,596
Cost of early settlement of mortgages	**(3,206)**	**–**	**(3,206)**	–	–	–
Net gain on sale of assets and investments	**3,655**	**789**	**4,444**	15,115	12,864	27,979
Earnings of equity accounted investments	**16,344**	**(560)**	**15,784**	90	3,587	3,677
Write-down of assets and investments	**–**	**–**	**–**	(9,130)	–	(9,130)
Earnings from continuing operations before income taxes and minority interest	**68,709**	**6,917**	**75,626**	49,320	24,404	73,724

Revenue from real estate assets is disclosed separately in the consolidated statements of earnings and retained earnings as "income from properties". Property management and other activities generate fee revenue in return for services provided. Revenue from these sources is included in "fees and other income" and "sales of condominiums and products". The accounting policies used by the real estate operations are as defined in the significant accounting policies note under "real estate assets". These policies, in addition to being in accordance with Canadian GAAP, are also in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies. Accounting policies used by management and other segments are also defined in note 3 to these consolidated financial statements and are in accordance with Canadian GAAP. There are no significant inter-segment transactions.

(in 000's)	**2001** $	2000 $
Total assets		
Real estate operations	**1,683,036**	1,553,964
Management and other operations	**73,484**	96,967
	1,756,520	1,650,931

Management continues to focus its attention on the growth of its real estate operations. The existing real estate operations operate across four property types located in three major geographical locations across Canada. The Company operates to ensure an appropriate mix of property type and geographical location.

Additional information with respect to real estate assets is outlined below:

	2001			2000		
(in 000's)	**Total revenue $**	**Net property income $**	**Real estate assets $**	Total revenue $	Net property income $	Real estate assets $
Property type						
Office	**42,185**	**21,379**	**186,864**	41,401	21,842	197,969
Industrial	**17,355**	**16,116**	**157,514**	19,338	13,328	166,225
Retail	**109,590**	**61,653**	**749,309**	82,382	49,116	688,475
Residential	**71,709**	**39,289**	**385,011**	60,989	32,115	362,809
	240,839	**138,437**	**1,478,698**	204,110	116,401	1,415,478

	2001			2000		
(in 000's)	**Total revenue $**	**Net property income $**	**Real estate assets $**	Total revenue $	Net property income $	Real estate assets $
Geographic						
Western	**16,329**	**9,145**	**101,323**	16,819	9,960	119,597
Prairies	**54,957**	**32,860**	**308,116**	35,931	21,216	308,790
Eastern	**169,553**	**96,432**	**1,069,259**	151,360	85,225	987,091
	240,839	**138,437**	**1,478,698**	204,110	116,401	1,415,478

Net property income represents income from properties, net of property operating expenses.

22. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2001 consolidated financial statements.

23. SUBSEQUENT EVENTS

On January 16, 2002, Morguard REIT renewed a 7% fixed rate mortgage with a principal balance of apprixímately $6.7 million at December 31, 2001. The mortgage is for a one-year term at a fixed rate of 4.50% and matures on February 1, 2003.

On January 29, 2002, Morguard REIT signed a commitment letter with four co-lenders to enter into a new financing agreement for $45.0 million to replace a $27.0 million bridge facility. This financing is scheduled to close during February 2002 and will be secured by a mortgage on a specific property.

On January 29, 2002, Morguard REIT completed the sale of a retail property located in Calgary, Alberta. The property was sold for gross proceeds of $975,000 and Morguard REIT has realized a gain of $373,000.

On January 30, 2002, Morguard REIT entered into an agreement with a syndicate of investment dealers under which the syndicate has agreed to purchase $50 million principal amount of 8.50% convertible unsecured subordinated debentures due February 21, 2007. In addition, Morguard REIT extended to the syndicate the option to purchase up to an additional $10.0 million principal amount of the debentures on the same terms, which were exercised. Each debenture can be convertible into fully paid units of Morguard REIT at the option of the holder at any time prior to the close of business on the earlier of maturity and the business day immediately preceeding the date fixed for redemption at a conversion price of $9.50 per unit. Morguard REIT has the option to settle all interest payments in units, and as such, the debentures will be classified as equity. The offering closed on February 21, 2002.

On February 14, 2002, the Company completed a bid for the remaining shares of its subsidiary, Goldlist, resulting in its ownership of 100% of the share capital of Goldlist.

On February 15, 2002, the Company advanced an unsecured loan of $5.0 million to MFP. The loan is receivable on demand and bears interest at a rate of 6% per annum.

BOARD OF DIRECTORS

James R. Connacher
Corporate Director

David A. King
Vice Chairman
Acktion Corporation
President
David King Corporation

Wayne M. E. McLeod
Corporate Director

George F. Michals
President
Baymont Capital Resources Inc.

Timothy R. Price
Chairman
Trilon Financial Corporation

K. (Rai) Sahi
Chairman & CEO
Acktion Corporation

O. Temple Sloan Jr.
Founder & Chairman
of General Parts, Inc.

Alex Taylor
Chairman
Enersource Corporation

Michel Vennat
President & CEO
Business Development Bank of Canada

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AUDIT COMMITTEE

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Chairman

George F. Michals

Timothy R. Price

Michel Vennat

NOMINATING COMMITTEE

Michel Vennat
Chairman

James R. Connacher

K. (Rai) Sahi

PENSION PLAN COMMITTEE

David A. King
Chairman

Wayne M. E. McLeod

Frank Munsters

K. (Rai) Sahi

CORPORATE DATA

Auditors
Ernst & Young LLP

Transfer Agents and Registrars of Common Shares
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Bankers
Canadian Imperial Bank of Commerce
Toronto Dominion Bank

Share Listing
Toronto Stock Exchange

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Vice Chairman

Bart S. Munn
Vice President, Finance & CFO

Eugene N. Hretzay
Corporate Counsel & Secretary

Frank Munsters
Vice President, Credit and Banking

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President and CEO

MORGUARD INVESTMENTS LIMITED

Ken Graham
President & COO

GOLDLIST PROPERTIES INC.

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SHAREHOLDER DIVIDEND REINVESTMENT PLAN

Registered holders of common shares of the Company, wishing to purchase additional common shares, may participate in a convenient investment plan. Semi-annual dividends may be reinvested automatically to purchase additional common shares, at 95% of the simple average of the closing price for common shares of the Company on The Toronto Stock Exchange, for the twenty trading days immediately preceding a dividend date, without paying any administration fees, brokerage charges or commissions.

ADDITIONAL INFORMATION MAY BE OBTAINED FROM:

Dividend Reinvestment Services: Computershare Trust Company of Canada, 100 University Avenue, Toronto, Ontario M5J 2Y1 – Tel: 1-800-663-9097 – Email: caregistryinfo@computershare.com - Website: www.acktion.ca

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